



## WHAT REA IS DOING TO HELP BORROWERS DEVELOP THEIR MANAGEMENT SKILLS

Before answering this question, let's go back and review the underlying objective of REA's activities during the last 5 or 6 years. An attempt has been made to develop individual rural electric systems each of which would take its place in the particular rural economy in which it is located as a healthy locally owned and managed enterprise. REA has rendered technical advice and assistance but has limited this to the necessity of the particular case. The basic philosophy has been that:

- (1) each borrower is an individual corporate body locally owned and controlled and is itself responsible for the management of its affairs,
- (2) the basic relationship between REA and the borrower is that of lender and borrower,
- (3) REA's objective should be to achieve a position where every borrower possesses the internal strength and soundness to insure its permanent success as an individual local enterprise, and
- (4) such advice and assistance as REA gives should promote the ability of the borrower to handle its own affairs effectively.

This basic concept has been applied to REA activities in the management field to more than a thousand borrowers who, as of June 30, 1952, had borrowed more than \$2,000,000,000 were operating more than 1,210,473 miles of line and serving 3,769,426 rural consumers.

As of that date, 29 borrowers were delinquent more than 30 days in the total amount of \$699,140. As of the December 31, 1951 reports submitted by borrowers, a total of 259 borrowers reported accrual deficits after depreciation in the amount of \$5,970,447. A further statistic which has a bearing on these facts is the rapid increase in principal and interest due in the years immediately ahead. Some \$49,000,000 in interest and principal was due in 1952 and this increases to an estimated \$92,000,000 by the end of 1956.

To many people these statistics would be termed the management problem on the national level. To some extent that is correct but keeping in mind the basic philosophy of REA, previously mentioned, and the terms and conditions of the loans which are made, it can be seen that the statistics are misleading in some respects and an over simplification in other respects.



WHAT NOW IS WORTH TO THE BUSINESS WORLD, THEIR INTERESTS

It is not only the business world, but also the government, which is interested in the development of the economy. The government has been making efforts to develop the economy, but the results have been disappointing. The government has been making efforts to develop the economy, but the results have been disappointing. The government has been making efforts to develop the economy, but the results have been disappointing.

- (1) The government should be an industrial enterprise body, locally owned and controlled and is itself responsible for the management of its affairs.
- (2) The basic relationship between the government and the business world is that of lender and borrower.
- (3) The government should be in a position to achieve a position where every borrower possesses the financial strength and resources to finance its permanent expansion as an industrial local enterprise, and to secure an industrial local enterprise.
- (4) Each enterprise and enterprise as far as possible should possess the ability of the borrower to handle its own affairs effectively.

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As of the date, 22 borrowers were delinquent more than 30 days. The total amount of 100,000. As of the date, 22 borrowers were delinquent more than 30 days. The total amount of 100,000. As of the date, 22 borrowers were delinquent more than 30 days. The total amount of 100,000.

To many people these statistics would be viewed as a management problem on the national level. To some extent that is correct but we must also take into account the fact that the government is not a business enterprise. The government is not a business enterprise. The government is not a business enterprise.



The management problem on an individual borrower may be manifested in a number of different ways such as (1) delinquency on government obligation, (2) deficit operations, (3) declining financial trends, (4) failure to establish necessary funded reserves, (5) failure of owner control, (6) improper accounting for funds (7) unsatisfactory conditions of operating plant, (8) inadequate records, (9) unsatisfactory service, and (10) poor public relations. Usually the symptoms are present in combination, one with another.

From a national level, the problem is complicated by the fact that borrowers' management has achieved varying degrees of skill in various subjects. Some managers are strong on planning, others in public relations, and so forth. REA's problem is to assist where the weaknesses are apparent and to the greatest extent possible serve as a clearing-house for all borrowers on the better management practices which have been successfully applied by some borrowers or by the industry as a whole. That is why REA has urged the desirability of and cooperated in the development of training programs on a group basis. Borrowers' management working through a state or district organization determines the agenda for such a meeting and makes the necessary arrangements to secure REA, cooperative or outside personnel to lead the discussion on the subject chosen. In the course of these meetings, managers and directors have exchanged facts on what their own cooperatives were doing or what they thought they ought to do by way of improving existing practices.

Now, more specifically on the question of what REA is doing. The Area Offices are making periodic evaluations of the operations of REA borrowers to determine where assistance is necessary to assure repayment of the loan. As these determinations are made, the General Field Representatives, Field Specialists, and headquarters people will advise and assist borrowers' management to develop sound plans for its business.

REA personnel here in Washington are preparing and furnishing data to the GFR or the borrower as appropriate such as:

- a. Comparative operating data and ratios with state and other appropriate averages.
- b. Lists of suspense accounts.
- c. Basic data required for management analysis and long range financial forecasts.
- d. Copies of the feasibility study made in connection with the latest loan to the borrower.





The GFR's and Field Specialists are meeting with borrowers' management and assisting in the solution of problems and in developing long range plans. You may recognize some of the following items as having been discussed with you on your cooperative:

- a. Development of annual operating budget.
- b. Over-all management analysis of the business.
- c. Area coverage surveys, power requirement studies, and system studies.
- d. Review of the condition of the physical plant and the adequacy of service.
- e. Cash requirement forecasts.
- f. Assistance on procedures for retirement, maintenance inspection, preparation of work orders, power supply, system improvements and operating problems.
- g. Need for stepped-up power use program.

As you know, our General Field Representative is the keyman in our work with borrowers. He has the primary responsibility to maintain the relationship with a small group of borrowers. REA has been working to shape up its management and loan security activities to be of maximum assistance to the borrower. The GFR's are encouraged to work with co-op leaders, such as you people here, jointly promoting better understanding of good management practices. The district meetings in Iowa and other states with board members are an example of this.

REA staff personnel have and will continue to furnish technical management, engineering, and accounting advice to the individual borrower through or in collaboration with the GFR. Such assistance will also be available for groups of borrowers at appropriate meetings. Some of the assistance being rendered can be catalogued as follows:

- a. Formulating methods for TO&M programs and developing standards for evaluating current practices.
- b. Advising on adequacy of radio and load control systems.
- c. Formulating plans for and assisting in organizing and placing into operation safety and job training programs.



The GNR's and Field Specialists are assisting with borrower's management and assisting in the solution of problems and in developing loan funds plans. For any assistance some of the following items are being furnished with you as your cooperative:

- a. Development of annual operating budget.
- b. Over-all management analysis of the business.
- c. Free coverage surveys, power requirements studies, and system studies.
- d. Review of the condition of the physical plant and the adequacy of service.
- e. Loan requirement forecasts.
- f. Assistance in procedures for collection, maintenance, inspection, preparation of work orders, power supply, system improvements and operating problems.
- g. Help for stepped-up power and program.

As you know, our General Field Representative is the person in our work with borrowers. He has the primary responsibility to maintain the relationship with a small group of borrowers. He has been working to help up the management and loan security activities to be of maximum assistance to the borrower. The GNR's are encouraged to work with co-op leaders, such as you people here, jointly promoting better understanding of good management practices. The district meetings in Iowa and other states with board members are an example of this.

NR staff personnel have and will continue to furnish technical management, engineering, and accounting advice to the individual borrower through or in collaboration with the GNR. Such assistance will also be available for groups of borrowers to appropriate meetings. Some of the assistance being rendered can be categorized as follows:

- a. Formulating methods for loan program and developing standards for evaluating current practices.
- b. Advising on adequacy of radio and load control systems.
- c. Formulating plans for and assisting in organizing and placing into operation safety and job training programs.

- d. Providing uniform standards, specifications and requirements for pole preservation treatment and inspection.
- e. Auditing the records of borrowers and providing audit reports.
- f. Examining and furnishing reviews and comments upon the findings made in audits both by CPA and REA Auditors.
- g. Conducting conferences for training of bookkeepers and other office personnel.
- h. Providing practical methods of accounting in those situations not covered in the uniform system of accounts.
- i. Informational aids such as exhibits, motion pictures, film strips, etc. for annual meetings and other purposes.

REA has a limited number of specialists available to assist borrowers' management on unusual problems in public relations, insurance, labor relations, retail rates, wholesale power supply, etc.

As indicated previously, REA's assistance to an individual borrower generally will be rendered by the General Field Representative. Other assistance is being furnished for the most part through written material published from time to time which will be aimed at a need expressed by borrowers. To the greatest extent possible the written material will be supplemented by appropriate film strips and movies.

REA now has available a number of film strips each of which is concerned with one or more of the activities of an electric distribution cooperative such as Electric Farming, TC&M, and Capital Credits.

At the present time we are making several movies of 30 to 40 minutes duration. Those are on the subjects of Pole Maintenance, Voltage Regulators, Television Interference, and Radio Interference. These films as well as the film strips can be used for discussion purposes by the manager and the board at group meetings.

There are attached (1) a brief listing of REA publications concerning various management activities, (2) a listing of some of the technical subjects which can be presented by REA staff members, and (3) a listing of a number of balanced management bulletins which are presently being developed.



# A SELECTED LIST OF RFA PUBLICATIONS CONTAINING VARIOUS MANAGEMENT ACTIVITIES

## GENERAL MANAGEMENT

### A PRACTICAL APPROACH TO MAKING POLICY (Published 1952)

This book presents the idea that statements of policy form one of the most useful tools available to management in directing the business. It sets forth the why and how in the formulation of effective policies for a business.

### FACTS FOR THE ELECTRIC COOPERATIVE DIRECTOR (Published 1950)

Assembled in this publication are various articles from past issues of the Rural Electrification News. These articles are devoted to the responsibilities and duties of leaders of Rural Electrification Cooperatives and contain much basic information in aiding newly elected cooperative directors.

### GUIDE TO MANAGEMENT IMPROVEMENT (Book No. FA 166, issued April 1951)

This guide is a collection of outlines designed to provide a framework around which management improvement plans may be built.

### LET'S TAKE A LOOK (Published June 1952)

It is a simplified guide for RFA borrowers to use in making appraisals of the present situation. It can be used to draw up a brief statement on the status of the activities of the system and locate areas where long range plans are needed.

### MEMBERSHIP ADMINISTRATION (Published 1952)

This procedure sets forth the important elements of good membership administration.

### NEWS OF COTER (Book No. FA 118, issued 1950)

A simplified parliamentary procedure recommended for use in business meetings of RFA cooperatives, in a pocket-size edition.



## OPERATING MANAGEMENT

### GUIDE FOR A MEMBER-EMPLOYEE SUGGESTION AWARD SYSTEM FOR ELECTRIC COOPERATIVE (Published 1950)

Sets forth the importance of member-employee suggestion award system and how it would benefit the business. It also suggests a method of setting up such a program.

### HOW ELECTRIC FARMING CAN HELP YOUR BUSINESS (REA Bulletin 140-1, published 1952)

This publication contains a guide that can help the electric borrower determine the value of an electric farming program for their business. It explains what electric farming is, why it is needed, and what effect it would have on their business.

### PUBLICATIONS RELATIVE TO SUGGESTED TRAINING OUTLINE FOR USE BY COOPERATIVE ELECTRIFICATION ADVISORS

- a. Annual Meetings (Book No. 109)
- b. Cooperation Between Co-ops (Book No. 111)
- c. Demonstration Techniques (Book No. 204)
- d. Establishing Member Ownership (Book No. 106)
- e. Getting News to Members (Book No. 200)
- f. Making Effective Talks (Book No. 203)
- g. Mobilizing Co-op Information (Book No. 212)
- h. Photography and Motion Pictures (Book No. 207)
- i. The Rural Electric Co-op (Book No. 103)
- j. Using the Radio (Book No. 201)
- k. Value of Co-op Membership (Book No. 100)

### SUGGESTED CAPITAL CREDITS RECORDS

This material suggests a procedure for establishing a capital credits plan with suggested record forms. It presents a simplified method for computing capital credits, recording them to patronage accounts, and recording retirement of capital credits.

GUIDE FOR A MEMBER-EMPLOYEE SUGGESTION AWARD SYSTEM FOR  
ELECTRIC CO-OPERATIVE (Published 1950)

sets forth the importance of member-employee suggestion award  
system and how it would benefit the business. It also suggests  
a method of setting up such a program.

HOW ELECTRIC PARTNER CAN HELP YOUR BUSINESS (RMA Bulletin 100-1,  
Published 1952)

This publication contains a guide that can help the electric  
business determine the value of an electric farming program  
for their business. It explains what electric farming is,  
why it is needed, and what effect it would have on their  
business.

ILLUSTRATIONS RELATIVE TO MEMBER-EMPLOYEE SUGGESTION AWARD SYSTEM  
CO-OPERATIVE ELECTRICITY BUSINESS

- a. Annual Meeting (Book No. 109)
- b. Cooperation Between Co-ops (Book No. 111)
- c. Business Education Techniques (Book No. 124)
- d. Establishing a New Co-op (Book No. 106)
- e. Getting New Members (Book No. 103)
- f. Making Effective Plans (Book No. 107)
- g. Building Co-op Information (Book No. 112)
- h. Photography and Motion Pictures (Book No. 107)
- i. The Rural Electric Co-op (Book No. 107)
- j. Using the Radio (Book No. 101)
- k. Value of Co-op Membership (Book No. 100)

SUGGESTED CAPITAL CREDIT RECORD

This material suggests a procedure for establishing a capital  
credit plan with suggested record forms. It presents a step-by-  
step method for carrying capital credits, recording them in  
member's accounts, and recording retirement of capital credits.



LISTING OF SOME OF THE TECHNICAL SUBJECTS AVAILABLE FOR PRESENTATION  
BY REA STAFF MEMBERS TO GROUPS OF BORROWERS

Lightning Protection

A slide presentation and discussion on the behavior of lightning on rural lines and methods of protection and alleviative measures available to the operator.

Metering

A discussion covering meter servicing, its effect on public relations and system efficiency, practical aspects of the technical phases of watt-hour meter maintenance, and minimum equipment required for adequate meter shop.

Voltage

A discussion of voltage levels at key locations on a rural distribution system - substation - primary line - meter socket - point of utilization.

Chemical Brush Control

Methods of applying chemicals to undesirable woody growth on power line right-of-way.

Oil Circuit Reclosers

A discussion and slide presentation of the characteristics of oil circuit reclosers.

Grounding

A discussion of basic theory of grounding.

Underground Corrosion Problems

A discussion covering causes of underground corrosion, processes by which it occurs, and measures that may be taken to prevent serious damage.

Equipment Performance Study

A Materials and Equipment Performance Survey has been undertaken to provide information on the equipment troubles that occur under actual service conditions.

Radio and Television Interference

A discussion, with demonstration, of various sources of radio and television interference.





## BALANCED MANAGEMENT BULLETINS NOW BEING DEVELOPED

### Achieving Balanced Management

Sets forth the common ends towards which management efforts should be directed in establishing long range planning and effective coordination and balance among programs.

### Management Survey Of The Business

Develops the need for periodic evaluation of the business. How to locate the problems and working out accepted solutions.

### Organizing To Achieve Objectives

Suggestions and Techniques for establishing an effective functional organization, adequate controls, responsibilities and coordination.

### Approach To Financial Management

Develops the need for establishing an effective method for evaluating the financial condition of the business and suggestions for improvements.

### Performance Ratios

Suggested method for establishing performance ratios which can be used in evaluating the effectiveness of the business.

### Improving Your Operating And Office Management

Suggestions and Techniques for maintaining effective procedure and record keeping.

### Analyzing Retail Rates

A description of the fact finding process an operating manager may use to analyze retail rates. It attempts to unearth facts which management needs for the determination of a sound rate structure.

Improving Balanced Management

Since for the company and its management efforts should be directed in establishing long range planning and effective coordination and balance among the three.

Management Survey of the Business

Develop the need for periodic evaluation of the business, how to locate the problem and working out suggested solutions.

Organizing to achieve objectives

Suggestions and techniques for establishing an effective functional organization, adequate controls, responsibilities and coordination.

Approach to Financial Management

Develop the need for establishing an effective method for evaluating the financial condition of the business and suggestions for improvements.

Performance Rating

Suggested method for establishing performance rating which can be used in evaluating the effectiveness of the business.

Improving Team Operation and Office Management

Suggestions and techniques for maintaining effective procedure and record keeping.

Analyzing Detail Cases

A description of the fact finding process as operating manager may use to analyze detail cases. It attempts to present facts which management needs for the determination of a sound case strategy.



## Hand Book Of Electric Retail Rates And Service Rules

Suggests rules and terms of service in question and answer form, rate schedules, discussions of rate topics, and example showing the proper method of calculating bills. It is aimed to cover the usual problems that occur in operations.

## Putting Cooperation Into Practice

A discussion of the what, why, and how of cooperatives. Outlines the responsibilities of members, directors, and managers.

## Internal Controls

A discussion of the principles of internal control and suggestions on applying them.

Hand Book Of Economic Theory And Practice

Suggests rules and forms of service in question and answer form, lists schedules, list of names of members, and other things showing the proper method of calculating bills. It is aimed to cover the usual problems that occur in operation.

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